



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

February 4, 2009

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515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$11,502,641 for the year ended June 30, 2008, a 30% decrease from 2007. The receipts included \$2,070,163 in property tax, \$1,690,937 from tax increment financing, \$3,672,540 from charges for service, \$1,045,056 from operating grants, contributions and restricted interest, \$287,505 from capital grants, contributions and restricted interest, \$784,172 from local option sales tax, \$212,343 from unrestricted interest on investments, \$1,705,155 from bond proceeds and \$34,770 from other general receipts. The significant decrease in receipts is primarily due to a decrease in bond proceeds.

Disbursements for the year totaled \$14,844,152, a 29% increase over the prior year, and included \$5,500,082 for capital projects, \$1,663,077 for debt service and \$1,315,634 for culture and recreation. Also, disbursements for business type activities totaled \$3,926,047. The significant increase in disbursements is due primarily to construction of the new City Hall/Public Safety Facility during fiscal year 2008.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF NEVADA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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**City of Nevada**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Gearold E. Gull, II	Mayor	Jan 2010
Walt McDonald	Mayor Pro tem	Jan 2010
Brian Hanson (Appointed)	Council Member	Nov 2007
Gary Makovec (Appointed)	Council Member	Nov 2007
William Tufford	Council Member	Jan 2008
Gary G. Gardner	Council Member	Jan 2010
Andrew Kelly	Council Member	Jan 2010
Thomas Haller	Council Member	Jan 2011
Jane Heintz	Council Member	Jan 2011
David Haugland	City Administrator	Resigned, Aug 2007
Elizabeth Hanson	City Administrator	Effective, Oct 2007
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite
<b>(After January 2008)</b>		
Gearold E. Gull, II	Mayor	Jan 2010
Walt McDonald	Mayor Pro tem	Jan 2010
Gary G. Gardner	Council Member	Jan 2010
Andrew Kelly	Council Member	Jan 2010
Thomas Haller	Council Member	Jan 2011
Jane Heintz	Council Member	Jan 2011
G. Michael Neff	Council Member	Jan 2011
Elizabeth Hanson	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Don Juhl	Attorney	Indefinite

**City of Nevada**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2008 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Total receipts of the City decreased 30.24%, or \$4,985,603, from fiscal year 2007 to fiscal year 2008, due in a large part to the difference in the governmental activities note proceeds received in fiscal year 2007 for the City hall/public safety facility (\$6,436,150) and in fiscal year 2008 for the general obligation street bond (\$1,683,000). Charges for service increased 9.07%, or \$305,362, primarily due to increased fees for the water and sanitary sewer utilities. Capital grants decreased \$916,890, or 76.13%. Tax increment financing increased \$406,056, or 31.60%, reflecting the full valuation of Lincoln Way Energy. Unrestricted interest on investments decreased 31.31%, or \$96,774.
- Disbursements increased 28.96%, or \$3,333,657, in fiscal year 2008 over fiscal year 2007. Public safety disbursements decreased \$368,927, or 25.37%, due to the purchase of a platform truck in fiscal year 2007. Public works disbursements increased \$171,659, or 30.59%. Community and economic development disbursements decreased 26.03%, or \$108,756, due to irregular payment of economic development agreements due to payments not timely requested. Capital projects disbursements increased 92.90%, or \$2,648,807. Water disbursements increased 18.24%, or \$412,799, and wastewater disbursements increased 29.49%, or \$268,546, primarily due to repair to the plant.
- The City's total cash basis net assets decreased 22.02%, or \$3,341,511, from June 30, 2007 to June 30, 2008. Of this amount, the net assets of the governmental activities decreased \$2,185,174 and the net assets of the business type activities decreased \$1,156,337. This was primarily due to the disbursement of short-term note proceeds of \$6,436,150 received late in June 2007 for the city hall/public safety facility.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, road use tax, state and federal grants and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system and the sanitation utility, including all capital projects associated with these activities. These activities are financed primarily by user charges.

## *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending into the next fiscal year. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds, such as Parks Planting (Hattery) and Cemetery Perpetual Care. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are increased or reduced financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

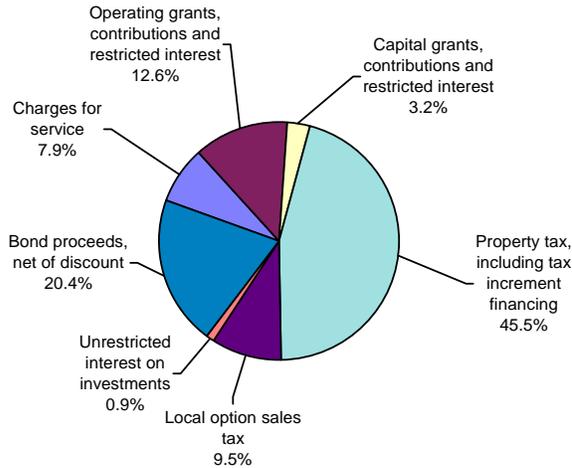
### **Governmental Activities**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$9,824,698 to \$7,639,524. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

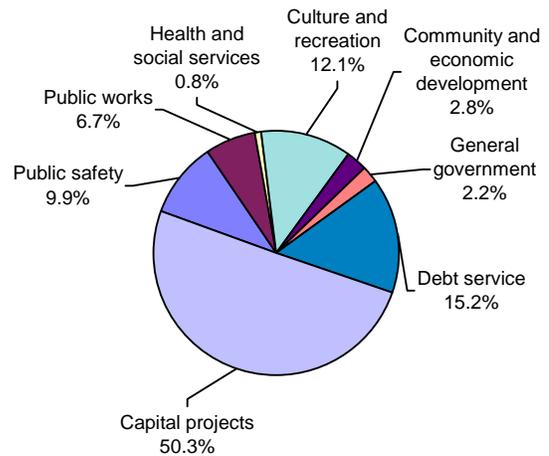
Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 654	593
Operating grants, contributions and restricted interest	1,042	843
Capital grants, contributions and restricted interest	263	1,103
General receipts:		
Property tax, including tax increment financing	3,761	3,329
Local option sales tax	784	751
Unrestricted interest on investments	78	105
Bond proceeds, net of discount	1,683	6,436
Sale of capital assets	33	7
Total receipts	<u>8,298</u>	<u>13,167</u>
<b>Disbursements:</b>		
Public safety	1,085	1,454
Public works	733	561
Health and social services	77	81
Culture and recreation	1,316	1,211
Community and economic development	309	418
General government	235	259
Debt service	1,663	1,431
Capital projects	5,500	2,851
Total disbursements	<u>10,918</u>	<u>8,266</u>
Increase (decrease) in cash basis net assets before transfers	(2,620)	4,901
Transfers, net	435	228
Increase (decrease) in cash basis net assets	(2,185)	5,129
Cash basis net assets beginning of year	9,825	4,696
Cash basis net assets end of year	<u>\$ 7,640</u>	<u>9,825</u>

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 36.97%, or approximately \$4,869,000. Capital grants receipts decreased approximately \$840,000 due to federal funds received in fiscal year 2007 for the 6<sup>th</sup> Street projects, tax increment financing receipts increased

approximately \$406,000, or 31.60%, due to the completion of the construction of Lincoln Way Energy and bond proceeds decreased \$4,753,150 because the City borrowed for the City hall/public safety facility project in June 2007. The total cost of all governmental activities programs and services increased \$2,652,270, or 32.09%. Public safety disbursements decreased \$368,927, culture and recreation disbursements increased \$104,859, community and economic development disbursements decreased \$108,756, debt service disbursements increased \$232,414 and capital project disbursements increased \$2,648,807, due primarily to the construction costs of the City hall/public safety facility.

The City's property tax rates remained stable for fiscal year 2008 at \$14.87874 per \$1,000 of taxable valuation. Property tax for fiscal year 2009 will increase due to a voted capital improvements levy for trail projects. The City's property tax rates have not increased significantly in twelve years. The tax increment valuation has increased steadily for the last ten years, from \$15,797,290 to the current \$52,506,707 for 2009.

The cost of all governmental activities this year was \$10,918,105. However, as shown in the Statement of Activities and Net Assets on pages 16-17, the amount taxpayers ultimately financed for these activities was only \$8,958,849 because some of the cost was paid by those directly benefiting from the programs (\$654,183) or by other governments and organizations that subsidized certain programs with grants, contributions and unrestricted interest (\$1,305,073). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, were \$1,959,256. The City paid for the remaining "public benefit" portion of governmental activities with \$6,773,675 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

### Business Activities

Total business type activities receipts for the 2008 fiscal year were \$3,204,192. Receipts decreased from the previous year due to the prior year receipt of the State Revolving Loan Funds and interest. Total business type activities disbursements for the 2008 fiscal year were \$3,926,047, compared to \$3,244,660 last year. The transactions and cash balance of the Sanitation Utility, established in July 2005, did not change appreciably.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 3,018	2,775
Operating grants, contributions and restricted interest	4	-
Capital grants, contributions and restricted interest	24	102
Unrestricted interest on investments	134	204
Bond proceeds	22	241
Sale of capital assets	2	-
Total receipts	<u>3,204</u>	<u>3,322</u>
Disbursements:		
Water	2,676	2,263
Sewer	1,179	911
Sanitation	71	71
Total disbursements and transfers	<u>3,926</u>	<u>3,245</u>
Increase (decrease) in cash basis net assets before transfers	(722)	77
Transfers, net	434	228
Decrease in cash basis net assets	<u>(1,156)</u>	<u>(151)</u>
Cash basis net assets beginning of year	<u>5,351</u>	<u>5,502</u>
Cash basis net assets end of year	<u>\$ 4,195</u>	<u>5,351</u>

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$7,637,821.

- The General Fund (includes the general, hotel/motel, general capital revolving, self insurance and sick and vacation accounts) cash balance decreased \$30,867 to \$1,730,616.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$114,912 to \$400,464, primarily due to increased fuel costs, vehicle repair and increased costs for snow removal.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$236,487 to \$732,337, primarily due to decreased transfers out to other funds.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$1,099,758 at the end of the fiscal year, an increase of \$794,223 from the previous year. This was primarily due to an increase of \$406,056 in tax receipts due to the completion of the construction of Lincoln Way Energy.
- The Debt Service Fund cash balance decreased \$173,955 to \$308,431. We continue to use the balance by bonding for more projects and not levying for the entire amount.
- The Capital Project Fund began the year with a cash balance of \$5,797,908 and ended with a balance of \$2,711,993, a decrease of \$3,085,915. The balance fluctuates greatly between years due to projects and funding. The interim financing for the City hall/public safety complex was received in late June 2007 and the bulk of it was spent in fiscal year 2008.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$1,027,112 from a balance of \$2,895,294 to \$1,868,182.
- The Sewer Fund cash balance decreased \$130,160 to \$2,324,563. Several large maintenance/repair projects were completed in fiscal year 2008.
- The Sanitation Fund ended the year with a balance of \$1,286, up from \$652.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 24, 2008 and resulted in an increase in operating disbursements of \$1,798,625 for projects. The second amendment was approved on May 27, 2008 and increased operating disbursements \$2,623,547 to provide for projects and changes in debt payments.

The City's receipts were \$580,624 more than budgeted, a variance of 6%. This was due to more miscellaneous receipts received than budgeted and increased charges for service in the Enterprise, Water Fund.

Total disbursements were \$4,584,365 less than budgeted, due primarily to the City's budget for capital projects. The City increased the budget to provide for projects, but did not disburse the funds during fiscal year 2008.

## DEBT ADMINISTRATION

On June 30, 2008, the City had \$18,561,000 in outstanding bonds and other long and short term debt, compared to \$18,491,845 last year, as shown below. The State Revolving Fund Loan for the Water Treatment Plant has not yet been finalized.

	Outstanding Debt at Year-End	
	June 30,	
	2008	2007
General obligation notes:		
4/1/2002-Gates Hall Remodeling - \$770,000	\$ 500,000	550,000
8/15/2004-WWT and Airport Road - \$1,035,000	215,000	265,000
7/1/2005-Lincoln Highway/600th Avenue Turn Lanes - \$1,545,000	1,185,000	1,345,000
4/1/2008-Street Improvement - \$1,700,000	1,000,000	-
Urban renewal tax increment revenue bonds:		
10/1/1999-Nevada Business Park - \$1,130,000	275,000	400,000
4/1/2002-Lincoln Highway II - \$720,000	330,000	405,000
Local option sales and services tax revenue bonds:		
8/1/2001-SCORE Park Grading/Maint Bldg. - \$1,000,000	345,000	450,000
Revenue bonds and notes:		
1/3/1995-Sewer Revolving - \$1,114,000	440,000	505,000
1/14/2005-Water - \$8,438,000	7,796,000	8,096,845
Anticipation project notes:		
6/26/2007-Urban renewal tax increment revenue bond - \$6,475,000	6,475,000	6,475,000
Total	\$ 18,561,000	18,491,845

Debt increased \$69,155, which is the net between a new issuance of \$1,700,000 of general obligation bonds, the \$22,155 of State Revolving Fund loan proceeds received in fiscal year 2008 and annual debt payments on the debt. The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the actual value of all taxable property within the City's corporate limits (\$297,793,005 x 5% = \$14,889,650). The City's outstanding general obligation debt of \$10,325,000 (general, TIF and LOST debt) is significantly below its constitutional debt limit of \$14,889,650.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$275,425 between fiscal years 2008 and 2009 (\$127,703,584 - 127,428,159), resulting in an increase in General Fund tax of \$1,417.

Tax increment financing receipts are budgeted to increase \$82,421 in fiscal year 2009, from \$1,715,557 to \$1,797,978. This increase in funds will be used to pay for debt incurred by the issuance of the bonds for Lincoln Highway/600<sup>th</sup> Avenue Turn Lanes, Nevada Business Park Improvements, and the City hall/public safety facility. Funds are also needed to pay for development agreements.

The City's expected receipts for fiscal year 2009 are \$15,779,388 (without transfers) as opposed to fiscal year 2008 budgeted revenues of \$16,371,858 (without transfers).

The City's disbursements for fiscal year 2009 are expected to increase from \$14,960,181 (without transfers) for fiscal year 2008 to \$17,778,674 for fiscal year 2009 (without transfers), primarily due to the issuance of permanent debt and redemption of the anticipation project notes for the City hall/public safety facility.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$7,683,981 to \$19,604,876 at the close of 2009.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Smith, City Clerk, 1209 6<sup>th</sup> Street, P O Box 530, Nevada, Iowa.

## **Basic Financial Statements**

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,085,105	145,273	150,908	7,500
Public works	732,833	11,978	572,457	17,276
Health and social services	77,400	-	-	-
Culture and recreation	1,315,634	417,750	263,401	-
Community and economic development	309,044	1,124	4,596	-
General government	234,930	49,511	-	-
Debt service	1,663,077	22,336	50,249	-
Capital projects	5,500,082	6,211	-	238,686
Total governmental activities	10,918,105	654,183	1,041,611	263,462
Business type activities:				
Water	2,676,162	1,770,247	-	22,471
Sewer	1,179,321	1,176,914	3,445	1,572
Sanitation	70,564	71,196	-	-
Total business type activities	3,926,047	3,018,357	3,445	24,043
<b>Total Primary Government</b>	<b>\$ 14,844,152</b>	<b>3,672,540</b>	<b>1,045,056</b>	<b>287,505</b>
<b>Component Unit:</b>				
Nevada Economic Development Council	\$ 433,789	145,567	112,612	-
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net of \$17,000 discount				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component
Governmental	Business Type		Unit
Activities	Activities	Total	Nevada Economic Development Council
(781,424)	-	(781,424)	-
(131,122)	-	(131,122)	-
(77,400)	-	(77,400)	-
(634,483)	-	(634,483)	-
(303,324)	-	(303,324)	-
(185,419)	-	(185,419)	-
(1,590,492)	-	(1,590,492)	-
(5,255,185)	-	(5,255,185)	-
(8,958,849)	-	(8,958,849)	-
-	(883,444)	(883,444)	-
-	2,610	2,610	-
-	632	632	-
-	(880,202)	(880,202)	-
(8,958,849)	(880,202)	(9,839,051)	-
-	-	-	(175,610)
1,584,832	-	1,584,832	-
1,690,937	-	1,690,937	-
485,331	-	485,331	-
784,172	-	784,172	-
78,451	133,892	212,343	-
1,683,000	22,155	1,705,155	-
32,470	2,300	34,770	-
434,482	(434,482)	-	-
6,773,675	(276,135)	6,497,540	-
(2,185,174)	(1,156,337)	(3,341,511)	(175,610)
9,824,698	5,351,042	15,175,740	368,723
\$ 7,639,524	4,194,705	11,834,229	193,113
\$ 400,464	-	400,464	-
863,758	-	863,758	-
644,431	840,069	1,484,500	-
3,998,552	-	3,998,552	-
1,732,319	3,354,636	5,086,955	193,113
\$ 7,639,524	4,194,705	11,834,229	193,113

City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
<b>Receipts:</b>				
Property tax	\$ 1,150,172	-	-	-
Tax increment financing	-	-	-	1,690,937
Other city tax	63,307	-	784,172	-
Licenses and permits	109,162	-	-	-
Use of money and property	119,968	1,832	14,664	24,164
Intergovernmental	188,684	585,853	8,050	-
Charges for service	261,595	-	12	-
Special assessments	-	-	-	-
Miscellaneous	147,721	-	-	-
<b>Total receipts</b>	<b>2,040,609</b>	<b>587,685</b>	<b>806,898</b>	<b>1,715,101</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	969,288	28,647	39,636	-
Public works	6,600	713,420	12,920	-
Health and social services	-	-	77,400	-
Culture and recreation	1,266,342	-	8,389	-
Community and economic development	86,995	-	81,990	133,527
General government	229,590	-	5,408	-
Debt service	-	-	128,150	483,609
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>2,558,815</b>	<b>742,067</b>	<b>353,893</b>	<b>617,136</b>
Excess (deficiency) of receipts over (under) disbursements	(518,206)	(154,382)	453,005	1,097,965
<b>Other financing sources (uses):</b>				
Bond proceeds, net of \$17,000 discount	-	-	-	-
Sale of capital assets	18,000	14,470	-	-
Operating transfers in	547,274	25,000	-	24,653
Operating transfers out	(77,935)	-	(216,518)	(328,395)
<b>Total other financing sources (uses)</b>	<b>487,339</b>	<b>39,470</b>	<b>(216,518)</b>	<b>(303,742)</b>
Net change in cash balances	(30,867)	(114,912)	236,487	794,223
Cash balances beginning of year	1,761,483	515,376	495,850	305,535
Cash balances end of year	\$ 1,730,616	400,464	732,337	1,099,758
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	100,000	236,000
<b>Unreserved:</b>				
General fund	1,730,616	-	-	-
Special revenue funds	-	400,464	632,337	863,758
Capital projects fund	-	-	-	-
Permanent funds	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,730,616</b>	<b>400,464</b>	<b>732,337</b>	<b>1,099,758</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
469,839	-	354,965	1,974,976
-	-	-	1,690,937
15,492	-	16,388	879,359
-	-	-	109,162
26,085	225,644	29,188	441,545
-	13,042	37,552	833,181
-	6,211	5,249	273,067
22,336	-	-	22,336
-	-	210,695	358,416
533,752	244,897	654,037	6,582,979
-	-	47,860	1,085,431
-	-	-	732,940
-	-	-	77,400
-	-	41,781	1,316,512
-	-	6,548	309,060
-	-	-	234,998
1,051,318	-	-	1,663,077
-	5,500,082	-	5,500,082
1,051,318	5,500,082	96,189	10,919,500
(517,566)	(5,255,185)	557,848	(4,336,521)
-	1,683,000	-	1,683,000
-	-	-	32,470
343,611	510,923	10,797	1,462,258
-	(24,653)	(380,275)	(1,027,776)
343,611	2,169,270	(369,478)	2,149,952
(173,955)	(3,085,915)	188,370	(2,186,569)
482,386	5,797,908	465,852	9,824,390
308,431	2,711,993	654,222	7,637,821
308,431	-	-	644,431
-	-	-	1,730,616
-	-	543,902	2,440,461
-	2,711,993	-	2,711,993
-	-	110,320	110,320
308,431	2,711,993	654,222	7,637,821

**City of Nevada**

City of Nevada

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2008

**Total governmental funds cash balances (page 19)** \$ 7,637,821

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

1,703

**Cash basis net assets of governmental activities (page 17)**

\$ 7,639,524

**Net change in cash balances (page 19)**

\$ (2,186,569)

***Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

1,395

**Change in cash basis net assets of governmental activities (page 17)**

\$ (2,185,174)

See notes to financial statements.

**Exhibit D**

## City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Flexible Benefits
Operating receipts:					
Use of money and property	\$ 17,502	-	-	17,502	-
Charges for service	1,635,524	1,145,726	70,569	2,851,819	31,705
Miscellaneous	117,221	34,633	627	152,481	-
Total operating receipts	<u>1,770,247</u>	<u>1,180,359</u>	<u>71,196</u>	<u>3,021,802</u>	<u>31,705</u>
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	5,773
Public works	-	-	-	-	1,893
Culture and recreation	-	-	-	-	15,535
Community and economic development	-	-	-	-	284
General government	-	-	-	-	1,206
Business type activities	1,331,708	1,098,947	70,564	2,501,219	5,318
Total operating disbursements	<u>1,331,708</u>	<u>1,098,947</u>	<u>70,564</u>	<u>2,501,219</u>	<u>30,009</u>
Excess of operating receipts over operating disbursements	<u>438,539</u>	<u>81,412</u>	<u>632</u>	<u>520,583</u>	<u>1,696</u>
Non-operating receipts (disbursements):					
Interest on investments	84,639	73,294	2	157,935	-
Capital projects	(758,538)	-	-	(758,538)	-
Debt service	(586,188)	(80,403)	-	(666,591)	-
Total non-operating receipts (disbursements)	<u>(1,260,087)</u>	<u>(7,109)</u>	<u>2</u>	<u>(1,267,194)</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(821,548)</u>	<u>74,303</u>	<u>634</u>	<u>(746,611)</u>	<u>1,696</u>
Other financing sources (uses):					
Bond proceeds	22,155	-	-	22,155	-
Sale of capital assets	2,300	-	-	2,300	-
Operating transfers out	(230,019)	(204,463)	-	(434,482)	-
Total other financing sources (uses)	<u>(205,564)</u>	<u>(204,463)</u>	<u>-</u>	<u>(410,027)</u>	<u>-</u>
Net change in cash balances	(1,027,112)	(130,160)	634	(1,156,638)	1,696
Cash balances beginning of year	2,895,294	2,454,723	652	5,350,669	681
Cash balances end of year	<u>\$ 1,868,182</u>	<u>2,324,563</u>	<u>1,286</u>	<u>4,194,031</u>	<u>2,377</u>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	840,069	-	840,069	-
Unreserved	1,868,182	1,484,494	1,286	3,353,962	2,377
Total cash basis fund balances	<u>\$ 1,868,182</u>	<u>2,324,563</u>	<u>1,286</u>	<u>4,194,031</u>	<u>2,377</u>

See notes to financial statements.

City of Nevada

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds

As of and for the year ended June 30, 2008

**Total enterprise funds cash balances (page 22)** \$ 4,194,031

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

674

**Cash basis net assets of business type activities (page 17)** \$ 4,194,705

**Net change in cash balances (page 22)** \$ (1,156,638)

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

301

**Change in cash basis net assets of business type activities (page 17)** \$ (1,156,337)

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Nevada has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Nevada (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These non-profit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a thirteen-member board. There are four standing board positions and nine members are elected at-large. The NEDC's operating budget is subject to the approval of the City Council.

Blended Component Units – Nevada Firefighters Incorporated and Nevada First Responders are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission and Story County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Central Iowa Regional Transportation Planning Agency and Central Iowa Area Safety and Support Organization.

### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance community betterment in the City.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund is used to account for the solid waste collection fees and payments to the City of Ames under the Contract and Agreement for Use and Support of a Solid Waste Reclamation, Recycling and Disposal System.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits plan by City employees and the subsequent reimbursement for eligible claims (administered by Wellmark).

C. Measurement Focus and Basis of Accounting

The City of Nevada maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the City's investments were common stock with a carrying amount of \$180,194 and fair value of \$142,402. The stock was donated to the City during the year ended June 30, 2007 and the City has started selling the stock.

In addition, during the year ended June 30, 2008, the City transferred \$180,000 received by the City through an estate bequest to a local non-profit organization (Foundation). At June 30, 2008, the carrying amount and fair value was \$177,500. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Concentration of credit risk. – The City's investment policy specifies no more than 5 percent of the City's investments may be invested in any one issuer. Although the City did not invest more than 5 percent of the City's investments in any one issuer, more than 5 percent of the City's investments are in the common stock and funds held by the Foundation. The City's investments in common stock and funds held by the Foundation are 44 and 56 percent of the City's total investments, respectively.

**(3) Bonds and Notes Payable**

On April 1, 2008, the City issued \$1,700,000 of general obligation street improvement bonds, with interest rates ranging from 2.50% to 2.80% per annum. The bonds were issued for the purpose of paying the costs of various street improvements throughout the City.

Annual debt service requirements to maturity for general obligation bonds and notes, urban renewal tax increment revenue bonds, local option sales and services tax revenue bonds, revenue bonds for which a final repayment schedule has been adopted and anticipation project notes are as follows:

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Revenue Bonds		Local Option Sales and Services Tax Revenue Bonds		Revenue Bonds		Anticipation Project Notes		Total	
					Principal	Interest			Principal	Interest		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 890,000	100,830	210,000	31,570	110,000	17,605	65,000	13,200	6,475,000	259,000	7,750,000	422,205
2010	715,000	74,642	220,000	20,703	115,000	12,105	70,000	11,250	-	-	1,120,000	118,700
2011	250,000	52,598	85,000	9,103	120,000	6,240	70,000	9,150	-	-	525,000	77,091
2012	260,000	43,197	90,000	4,725	-	-	75,000	7,050	-	-	425,000	54,972
2013	270,000	33,198	-	-	-	-	80,000	4,800	-	-	350,000	37,998
2014 - 2016	515,000	40,125	-	-	-	-	80,000	2,400	-	-	595,000	42,525
Total	\$2,900,000	344,590	605,000	66,101	345,000	35,950	440,000	47,850	6,475,000	259,000	10,765,000	753,491

The City issued \$6,475,000 of urban renewal tax increment revenue bond anticipation project notes in June 2007 for the purpose of planning, undertaking and carrying out an urban renewal project within the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety facility. In prior years the City constructed the Nevada Business Park Project and the Lincoln Highway Phase II Project with urban renewal tax increment revenue bond proceeds. These notes and bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds are to be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes and bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The local option sales and services tax revenue bonds were issued for the purpose of paying the costs associated with grading, storm sewer improvements and the construction of a maintenance facility at the Nevada Recreation/Athletic Complex. The bonds are payable solely from the income and proceeds of the Special Revenue, Local Option Sales and Services Tax Fund and the taxes to be paid into the fund in accordance with Chapter 422B of the Code of Iowa. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the sewer revolving revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A total of \$238,375 shall be set aside in a sewer revenue reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds whenever the funds in the sinking accounts are insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

On January 14, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$8,438,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. The City will draw down funds from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2008, the City had drawn \$8,348,620 of the authorized amount. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2007. A final repayment schedule has not yet been adopted. However, during fiscal year 2007, the City began making principal and interest payments under the preliminary repayment schedule. During the year ended June 30, 2008, the City paid \$323,000 of principal and \$242,905 of interest.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$8,438,000 in water revenue bonds issued in January 2005. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$10,209,910. For the current year, principal and interest paid and total customer net receipts, as adjusted by criteria in the bond resolution, were \$565,905 and \$654,205, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$112,807, \$104,793 and \$99,236, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 161,000
Compensatory time	<u>27,000</u>
Total	<u>\$ 188,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Contractual Commitments**

The City entered into various construction contracts totaling approximately \$17,259,000. The unpaid contract balances as of June 30, 2008 totaled approximately \$2,297,000, which will be paid as work on the projects progresses.

The City also entered into a contract with the Nevada Economic Development Council to provide financial assistance of \$80,000 for fiscal year 2008.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 170,145
	Employee Benefits	341,737
	Emergency	35,392
		<u>547,274</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales and Services Tax	25,000
Urban Renewal Tax Increment	Capital Projects	24,653
	Special Revenue:	
Trail Maintenance	Local Option Sales and Services Tax	7,500
Trees Forever	Local Option Sales and Services Tax	2,000
4th of July Trust	Fire Trust	1,297
		<u>60,450</u>
Debt Service	General	77,935
	Special Revenue:	
	Urban Renewal Tax Increment	265,676
		<u>343,611</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	11,873
	Urban Renewal Tax Increment	62,719
	S.C.O.R.E. Undesignated	1,849
	Enterprise:	
	Water	230,019
	Sewer	204,463
		<u>510,923</u>
Total		<u>\$ 1,462,258</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Industrial Development Revenue Bonds**

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,579,923 is outstanding at June 30, 2008. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**(9) Landfill Contract**

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15<sup>th</sup> of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15<sup>th</sup> and one-half on or before December 15<sup>th</sup> of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City of Nevada.

**(10) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$129,246.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation coverages. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental tax paid by the developer in exchange for the construction or improvements of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$466,439.

The City rebated \$26,448 during fiscal year 2008 for a total of \$461,327 of incremental tax under the agreements. The outstanding balance of the agreements at June 30, 2008 was \$5,112.

Certain agreements state the City will rebate a percentage of property tax owed by the business. These agreements are not reflected in the above amount due to property assessments changing each year.

#### **(12) Subsequent Events**

In November 2008, the City issued \$6,500,000 of urban renewal tax increment revenue bonds and \$635,000 of general obligation refunding bonds.

**Required Supplementary Information**

City of Nevada  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,974,976	-	-
Tax increment financing	1,690,937	-	-
Other city tax	879,359	-	-
Licenses and permits	109,162	-	-
Use of money and property	441,545	175,437	1,892
Intergovernmental	833,181	-	34,350
Charges for service	273,067	2,883,524	31,705
Special assessments	22,336	-	-
Miscellaneous	358,416	152,481	18,895
Total receipts	<u>6,582,979</u>	<u>3,211,442</u>	<u>86,842</u>
<b>Disbursements:</b>			
Public safety	1,085,431	5,773	53,633
Public works	732,940	1,893	1,893
Health and social services	77,400	-	-
Culture and recreation	1,316,512	15,535	15,535
Community and economic development	309,060	284	284
General government	234,998	1,206	1,206
Debt service	1,663,077	-	-
Capital projects	5,500,082	-	-
Business type activities	-	3,931,666	5,318
Total disbursements	<u>10,919,500</u>	<u>3,956,357</u>	<u>77,869</u>
Excess (deficiency) of receipts over (under) disbursements	(4,336,521)	(744,915)	8,973
Other financing sources, net	2,149,952	(410,027)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,186,569)	(1,154,942)	8,973
Balances beginning of year	9,824,390	5,351,350	59,675
Balances end of year	<u>\$ 7,637,821</u>	<u>4,196,408</u>	<u>68,648</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,974,976	1,973,712	1,973,712	1,264
1,690,937	1,715,557	1,715,557	(24,620)
879,359	790,250	790,250	89,109
109,162	85,400	85,400	23,762
615,090	403,163	561,660	53,430
798,831	618,257	710,257	88,574
3,124,886	2,970,441	2,972,041	152,845
22,336	-	-	22,336
492,002	315,078	318,078	173,924
<u>9,707,579</u>	<u>8,871,858</u>	<u>9,126,955</u>	<u>580,624</u>
1,037,571	1,058,964	1,127,602	90,031
732,940	687,725	825,175	92,235
77,400	77,400	77,400	-
1,316,512	1,586,516	1,678,919	362,407
309,060	336,305	456,305	147,245
234,998	332,113	348,787	113,789
1,663,077	714,157	1,661,980	(1,097)
5,500,082	6,602,000	8,257,497	2,757,415
3,926,348	3,565,001	4,948,688	1,022,340
<u>14,797,988</u>	<u>14,960,181</u>	<u>19,382,353</u>	<u>4,584,365</u>
(5,090,409)	(6,088,323)	(10,255,398)	5,164,989
<u>1,739,925</u>	<u>7,500,000</u>	<u>7,622,308</u>	<u>(5,882,383)</u>
(3,350,484)	1,411,677	(2,633,090)	(717,394)
<u>15,116,065</u>	<u>10,509,218</u>	<u>15,101,013</u>	<u>15,052</u>
<u>11,765,581</u>	<u>11,920,895</u>	<u>12,467,923</u>	<u>(702,342)</u>

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$4,422,172. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the debt service function.

**Other Supplementary Information**

City of Nevada

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Employee Benefits	Emergency	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated	S.C.O.R.E. Operation & Maintenance	Special Gates Hall Trust
Receipts:									
Property tax	\$ 321,653	33,312	-	-	-	-	-	-	-
Other city tax	14,850	1,538	-	-	-	-	-	-	-
Use of money and property	5,234	542	72	1	3,265	200	10	144	-
Intergovernmental	-	-	-	-	3,202	-	-	-	-
Charges for service	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	4,153	622	1,581	-	-
Total receipts	341,737	35,392	72	1	10,620	822	1,591	144	-
Disbursements:									
Public safety	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	25,241	-	-	-	-
Community and economic development	-	-	-	-	-	670	-	-	-
Total disbursements	-	-	-	-	25,241	670	-	-	-
Excess (deficiency) of receipts over (under) disbursements	341,737	35,392	72	1	(14,621)	152	1,591	144	-
Other financing sources (uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	(341,737)	(35,392)	-	-	-	(1,297)	(1,849)	-	-
Total other financing sources (uses)	(341,737)	(35,392)	-	-	-	(1,297)	(1,849)	-	-
Net change in cash balances	-	-	72	1	(14,621)	(1,145)	(258)	144	-
Cash balances beginning of year	-	-	2,439	22	116,273	7,266	258	4,877	83,700
Cash balances end of year	\$ -	-	2,511	23	101,652	6,121	-	5,021	83,700
<b>Cash Basis Fund Balances</b>									
Unreserved:									
Special revenue funds	\$ -	-	2,511	23	101,652	6,121	-	5,021	83,700
Permanent funds	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ -	-	2,511	23	101,652	6,121	-	5,021	83,700

See accompanying independent auditor's report.

**Schedule 1**

Revenue											Permanent		Total
Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Trees Forever	4th of July Trust	Police Forfeiture	Nevada Firefighters Incorporated	Nevada First Responders	Cemetery Perpetual Care	Parks Planting (Hattery)		
-	-	-	-	-	-	-	-	-	-	-	-	-	354,965
-	-	-	-	-	-	-	-	-	-	-	-	-	16,388
523	16,278	22	422	6	263	11	303	545	1,347	-	-	-	29,188
-	-	-	-	-	-	-	-	15,925	18,425	-	-	-	37,552
-	480	120	-	-	-	-	-	-	-	4,649	-	-	5,249
-	2,034	-	-	180,000	1,800	1,610	-	15,543	3,352	-	-	-	210,695
523	18,792	142	422	180,006	2,063	1,621	303	32,013	23,124	4,649	-	-	654,037
-	-	-	-	-	-	-	-	25,098	22,762	-	-	-	47,860
370	14,076	-	-	2,094	-	-	-	-	-	-	-	-	41,781
-	-	-	-	-	5,786	92	-	-	-	-	-	-	6,548
370	14,076	-	-	2,094	5,786	92	-	25,098	22,762	-	-	-	96,189
153	4,716	142	422	177,912	(3,723)	1,529	303	6,915	362	4,649	-	-	557,848
-	-	-	7,500	-	2,000	1,297	-	-	-	-	-	-	10,797
-	-	-	-	-	-	-	-	-	-	-	-	-	(380,275)
-	-	-	7,500	-	2,000	1,297	-	-	-	-	-	-	(369,478)
153	4,716	142	7,922	177,912	(1,723)	2,826	303	6,915	362	4,649	-	-	188,370
17,774	41,920	712	7,744	-	7,970	-	10,232	19,974	39,020	100,671	5,000	-	465,852
17,927	46,636	854	15,666	177,912	6,247	2,826	10,535	26,889	39,382	105,320	5,000	-	654,222
17,927	46,636	854	15,666	177,912	6,247	2,826	10,535	26,889	39,382	-	-	-	543,902
-	-	-	-	-	-	-	-	-	-	105,320	5,000	-	110,320
17,927	46,636	854	15,666	177,912	6,247	2,826	10,535	26,889	39,382	105,320	5,000	-	654,222

City of Nevada  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose	Apr 1, 2002	3.00-5.40%	\$ 770,000
Corporate purpose and refunding	Aug 15, 2004	1.90-3.25	1,035,000
Corporate purpose	Jul 1, 2005	2.95-3.75	1,545,000
Street improvement	Apr 1, 2008	2.50-2.80	1,700,000
Total			
Urban renewal tax increment:			
Revenue bonds	Oct 1, 1999	4.80-5.40%	\$ 1,130,000
Revenue bonds	Apr 1, 2002	3.25-5.25	720,000
Total			
Local option sales and services tax:			
Revenue bonds	Aug 1, 2001	4.30-5.20%	\$ 1,000,000
Revenue bonds:			
Sewer revolving	Jan 3, 1995	3.00%	\$ 1,114,000
Water	Jan 14, 2005 *	3.00	8,438,000
Total			
Anticipation project notes:			
Urban renewal tax increment revenue bond	Jun 26, 2007	4.00%	\$ 6,475,000

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
550,000	-	50,000	500,000	27,635
265,000	-	50,000	215,000	8,488
1,345,000	-	160,000	1,185,000	46,387
-	1,700,000	700,000	1,000,000	7,408
<u>\$ 2,160,000</u>	<u>1,700,000</u>	<u>960,000</u>	<u>2,900,000</u>	<u>89,918</u>
400,000	-	125,000	275,000	21,278
405,000	-	75,000	330,000	20,417
<u>\$ 805,000</u>	<u>-</u>	<u>200,000</u>	<u>605,000</u>	<u>41,695</u>
450,000	-	105,000	345,000	22,750
505,000	-	65,000	440,000	15,150
8,096,845	22,155	323,000	7,796,000	242,905
<u>\$ 8,601,845</u>	<u>22,155</u>	<u>388,000</u>	<u>8,236,000</u>	<u>258,055</u>
6,475,000	-	-	6,475,000	241,014

City of Nevada  
Bond and Note Maturities  
June 30, 2008

General Obligation Notes									
Year Ending June 30,	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose		Street Improvement		Total
	Issued Apr 1, 2002		Issued Aug 15, 2004		Issued Jul 1, 2005		Issued Apr 1, 2008		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2009	4.70%	\$ 50,000	3.25%	\$ 215,000	3.20%	\$ 100,000	2.60%	\$ 525,000	890,000
2010	4.80	55,000	-	-	3.30	185,000	2.80	475,000	715,000
2011	4.90	60,000	-	-	3.40	190,000	-	-	250,000
2012	5.00	60,000	-	-	3.50	200,000	-	-	260,000
2013	5.10	65,000	-	-	3.60	205,000	-	-	270,000
2014	5.20	65,000	-	-	3.70	150,000	-	-	215,000
2015	5.30	70,000	-	-	3.75	155,000	-	-	225,000
2016	5.40	75,000	-	-	-	-	-	-	75,000
Total		<u>\$ 500,000</u>		<u>\$ 215,000</u>		<u>\$ 1,185,000</u>		<u>\$ 1,000,000</u>	<u>2,900,000</u>

Year Ending June 30,	Local Option Sales and Services Tax Revenue Bonds		Sewer Revolving Revenue Bonds	
	Issued Aug 1, 2001		Issued Jan 3, 1995	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2009	5.00%	\$ 110,000	3.00%	\$ 65,000
2010	5.10	115,000	3.00	70,000
2011	5.20	120,000	3.00	70,000
2012	-	-	3.00	75,000
2013	-	-	3.00	80,000
2014	-	-	3.00	80,000
Total		<u>\$ 345,000</u>		<u>\$ 440,000</u>

See accompanying independent auditor's report.

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Urban Renewal Tax Increment Revenue Bonds				
Issued Oct 1, 1999		Issued Apr 1, 2002		
Interest Rates	Amount	Interest Rates	Amount	Total
5.30%	\$ 135,000	4.95%	\$ 75,000	210,000
5.40	140,000	5.05	80,000	220,000
	-	5.15	85,000	85,000
	-	5.25	90,000	90,000
	<u>\$ 275,000</u>		<u>\$ 330,000</u>	<u>605,000</u>

**Schedule 4**

## City of Nevada

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Six Years

	2008	2007	2006	2005	2004	2003
Receipts:						
Property tax	\$ 1,974,976	1,945,558	1,882,187	1,814,633	1,801,612	1,718,176
Tax increment financing	1,690,937	1,284,881	1,132,882	1,022,084	901,080	766,134
Other city tax	879,359	850,186	854,838	795,059	820,905	742,649
Licenses and permits	109,162	95,505	115,617	55,050	59,477	21,901
Use of money and property	441,545	343,833	292,670	227,267	241,654	539,485
Intergovernmental	833,181	1,224,798	988,672	905,229	1,137,248	1,045,642
Charges for service	273,067	249,255	273,637	249,297	217,837	260,981
Special assessments	22,336	33,229	27,728	38,760	133,497	37,870
Miscellaneous	358,416	696,210	230,768	380,396	430,501	464,462
Total	<u>\$ 6,582,979</u>	<u>6,723,455</u>	<u>5,798,999</u>	<u>5,487,775</u>	<u>5,743,811</u>	<u>5,597,300</u>
Disbursements:						
Operating:						
Public safety	\$ 1,085,431	1,454,443	1,134,005	905,856	856,395	996,461
Public works	732,940	561,308	619,657	738,155	643,837	576,375
Health and social services	77,400	81,400	78,300	74,300	59,186	50,186
Culture and recreation	1,316,512	1,211,953	1,121,741	1,135,262	1,025,676	1,075,442
Community and economic development	309,060	417,823	315,862	448,862	367,883	210,711
General government	234,998	258,858	237,015	237,445	212,549	238,525
Debt service	1,663,077	1,430,663	1,382,022	1,165,018	1,467,813	665,562
Capital projects	5,500,082	2,851,275	3,282,679	1,129,387	1,401,504	2,925,419
Total	<u>\$ 10,919,500</u>	<u>8,267,723</u>	<u>8,171,281</u>	<u>5,834,285</u>	<u>6,034,843</u>	<u>6,738,681</u>

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 25, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Nevada's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Nevada's financial statements that is more than inconsequential will not be prevented or detected by the City of Nevada's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Nevada's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (C) is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City of Nevada's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nevada during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 25, 2008

City of Nevada

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Nevada First Responders – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the entity's financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, formal bank reconciliations are not prepared.

Also, supporting documentation was not maintained for all bank activity or disbursements.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review. Formal bank reconciliations should be prepared and they should also be reviewed by an independent person. In addition, supporting documentation should be maintained for all bank activity and disbursements.

Response – Recommendations have been noted and changes are being implemented by the Association.

Conclusion – Response accepted.

- (B) Nevada Economic Development Council (NEDC) – The Council did not issue prenumbered receipts or maintain an initial listing of receipts, including the date received. Therefore, we were unable to determine if receipts were being deposited timely.

Recommendation – Prenumbered receipts, an initial listing of receipts or other supporting documentation should be maintained to document the date received.

Response – This will not be a problem and we will certainly comply with the recommendation. The NEDC receives very few receipts so this is not a huge task. Because our office is located within the bank building, deposits are made immediately when received and we will so note.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2008

- (C) Financial Reporting – The Nevada Public Library, Nevada, Iowa was named as a beneficiary in a last will and testament. Subsequent to the receipt of the proceeds during the fiscal year ended June 30, 2008, the Trustees of the Nevada Public Library Board had the proceeds of \$180,000 from the bequest remitted directly to the Greater Des Moines Community Foundation. As a result, the proceeds were not recorded in the City's records. The City subsequently recorded the activity in the financial statements.

Recommendation – The City should ensure all City receipts are included in the City's financial statements.

Response – City financial staff has reviewed the situation with the Library Board and Library staff and activity statements will be submitted to the City for inclusion in the City's financial records.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Nevada  
 Schedule of Findings  
 Year ended June 30, 2008

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We refinanced a bond issue and did not know exact costs at the time of the budget or during budget amendments. The invoice was received after the last date to initiate a budget amendment and we did not want the vendor to have to wait. We will hold the payment in the future for a new budget year.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Andrew Kelly, Council Member, Owner of Kelly Laundry Service	Laundry service	\$ 600
Jeff Anderson, Water Department employee, owner of Anderson Custom Services	Portable radio	200
Tim Myers, Public Works employee, Owner of Myers Custom Services	Mowing service	100

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Nevada

Schedule of Findings

Year ended June 30, 2008

- (7) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

The City has an investment in common stock which does not appear to be permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. The stock was donated to the City during the year ended June 30, 2007 and the City has started selling the stock.

- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2008 were noted.

- (9) Bequest to the Nevada Public Library – As previously noted, during the fiscal year ended June 30, 2008, the Nevada Public Library was named as a beneficiary in a last will and testament and had the proceeds (Bequest) remitted directly to the Greater Des Moines Community Foundation (Foundation). The Library signed an “Agency Endowed Fund Agreement” for \$170,000 and an “Agency Permanent Endowed Fund Agreement” for \$10,000 with the Foundation. Both agreements state, in part, “the Agency hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Agency’s rights, title and interest in the property described.”

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.” In addition, Chapter 392.5 of the Code of Iowa states, in part, “a library board may accept and control the expenditure of all gifts, devises, and bequests to the library.”

Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.”

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. The advice letter states, in part:

“... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

City of Nevada

Schedule of Findings

Year ended June 30, 2008

In addition, consistent with the Iowa Attorney General's letter of advice, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapter 12B and 12C of the Code of Iowa and rules of the City. According to financial reports of the Foundation, at August 31, 2008, the Foundation had investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Recommendation – A 28E agreement, as described in the advice letter, does not exist. We are not aware of any statutory authority for the Library Board and/or City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

The Nevada Library Board of Directors, through its action to give these public funds to the Foundation during the year ended June 30, 2008, has put these public funds at risk since the Library Board of Directors and the Foundation have not invested and accounted for the proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 384.20 of the Code of Iowa.

The City should recover the remaining proceeds of the Bequest held by the Foundation, including all income derived from the investment of the Bequest from the time it was remitted to the Foundation. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Until this issue is resolved, the Library Board should direct the Foundation to invest the remaining proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa.

Response – After visiting with representatives from the Iowa Auditor of State's Office, the Nevada Public Library Board of Trustees is now aware of the concerns expressed regarding the placement of \$180,000 from the estate into foundations. The Board is discussing its options with legal council. Financial information received from the Greater Des Moines Community Foundation has been given to the Nevada City Clerk. The option of putting together a 28E agreement and direction of investment is being reviewed by the Board.

Conclusion – Response accepted.

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City of Nevada

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Jennifer Campbell, CPA, Senior Auditor II  
Janet K. Mortvedt, Staff Auditor  
Michael F. Conroy, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State